

## QUEENSTOWN LAKES DISTRICT COUNCIL

### Report of the hearings panel for the Cardrona Water Supply Scheme

#### Panel Members

Councillor Smith (chair)  
Councillor Clark  
Councillor Lewers

#### **Purpose**

The purpose of this report is to outline issues canvassed by the hearing panel and provide its recommendation on the statement of proposal. This report will accompany and inform the decision of the Full Council on the Cardrona Water Supply Scheme proposal.

The panel have read the SOP, the council reports, all the written submissions and heard from a number of submitters speaking to their submissions.

#### **Comment on submissions**

The Panel heard from a range of submitters both in support and in opposition. It was clear to the panel that there remains some misunderstanding of the financial implications.

Most notably a large number of submissions including those collectively represented by CWSL were made on the assumption that the Water Connection was over \$40,000 each. This was clarified and acknowledged but it was then unclear to us whether for the individual submitters their opposition remains when aware of the correct amount, being \$16,490.

Equally some submitters seemed unaware that there is an availability charge where water supply is provided in sufficient proximity to their properties.

Overall the submissions were considered very helpful to the panel in understanding the reason for support and the concerns of the residents of Cardrona.

#### **Discussion and considerations:**

##### **Cost escalation and project scoping**

The Panel expresses significant disappointment in the scale of the cost escalation from original estimates. While we acknowledge there have been significant inflationary pressures and regulatory changes we still think the original estimates fell well short of meeting the current project demands. This places both the Panel and the Council in a difficult situation in explaining and justifying such increases in the project.

##### **3 waters reform**

In our discussions we did not assume that 3 waters reform would happen but we also discussed the consequences if it did. The recommendation is made on the basis of the growth and debt assumptions of the Cardrona Scheme area over a 30 year period under the current framework.

We however note that the issue of debt recovery at a local level would largely be moot if 3 waters reform was to proceed under the current model with all debt being transferred to entity D and as such any financial risk would be reduced not increased.

It was also considered that the potential to progress significant investment in water supplies under the Entity D model would likely be very low in the short to medium term.

**Debt recovery**

The Panel notes the uncertainty of scheme uptake and growth timing on the debt recovery profile. The recovery model assumptions see the recovery of the capital costs being fully recovered over 30 years but it must be accepted that up to \$10m of debt may not be recovered in that time if uptake or growth is slower than projected and QLDC do not enact other available risk mitigation measure. The lump sum payment by MCS goes some way to assisting but the Panel acknowledge that a worst case scenario must be considered. While carrying debt beyond the 30 years would not be favourable it is unlikely to be of any concern in the broader context of district wide debt and infrastructure delivery.

**Further information**

While the recommendation below is to approve the proposed Cardrona Water Scheme cost increase, we would like to see further information provided to the Full Council through the officer report. The council officers confirmed this could be provided.

In particular, we would like to have further information to understand the consequential impacts on the financial program and broader debt recovery risks and impacts, and about the opportunity cost associated with approving the increase as well as providing more guidance around the debt recovery risks.

**Conclusion and recommendation**

Overall the Panel acknowledges that this was an incredibly difficult issue to navigate. The Panel generally thought that long term the benefits of a communally centrally regulated scheme would be preferable to the alternatives. The panel acknowledge that the proposal represents a moment in time opportunity to create a long term solution to a growing community. This opportunity is time bound to a large degree. With a relatively small number of existing properties and a high projected growth the opportunity would unlikely be easier or cheaper in the future to consolidate supplies.

The panel had insufficient information to understand the consequential impacts on the financial program and broader debt recovery risks and impacts and understood that further reporting on these matters would be provided in the report to full Council.

Subject to understanding these consequences the panel accept the recommendations of staff and recommend to Council the approval of proposed Cardrona Water Scheme. We note that the decision sits with council with that further guidance available to it.